

Sustainability regulatory update – issue#2

EU STRATEGY ON SUSTAINABLE FINANCE	2
ENERGY EFFICIENCY DIRECTIVE (EED)	3
ENERGY PERFORMANCE OF BUILDINGS DIRECTIVE (EPBD)	4
EU FRAMEWORK OF CORE INDICATORS FOR THE ENVIRONMENTAL PERFORMANCE OF EU BUILDINGS	5

EU STRATEGY ON SUSTAINABLE FINANCE *Upcoming*

In June, the EU Commission announced it will decide in Q1 2018 on the concrete follow-up to recommendations by the [HLG Group on Sustainable Finance](#), which has published its [interim report](#) in mid-July.

The group has developed early recommendations, including:

1. Develop a classification system for sustainable assets;
2. Establish a European standard and label for green bonds and other sustainable assets;
3. Providing EU-level clarification that fiduciary duty requires investors to consider ESG issues;
4. Strengthen ESG reporting requirements;
5. Develop a 'sustainability test' for all future EU financial services legislation;
6. Create 'Sustainable Infrastructure Europe' to channel finance into sustainable infrastructure;
7. Integrating sustainability into supervisory processes: enhance the role of ESAs (EIOPA, ESMA and the ECB) in assessing ESG-related risks;
8. Unlock investments in energy efficiency through relevant accounting rules.

The interim report's publication has been followed by a [public consultation](#).

EPRA's engagement

EPRA responded to the questionnaire and thus took the opportunity to provide an input needed to help improve the conditions of the listed property sector. It is our view that we can help EU policy makers to enable investors to invest in the good quality long-term assets, such as listed real estate. With the input of the Regulatory, Taxation and Sustainability Committees' members, EPRA PA & Sustainability team collaborated on the response to the questionnaire which is available [here](#).

In addition to it, in alliance with INREV, EPRA has prepared a two pager with very specific and pragmatic recommendations to share with the High-Level Group, and in particular:

- Ensure that EU Solvency II rules do not prejudice but incentivise long-term investments, in particular green¹ long-term property investments, by for example requiring a minimum percentage² of buildings in the insurer's real estate asset allocation to be certified by voluntary rating schemes, such as LEED or BREEAM.
- Endorsement of the sectoral market led ESG reporting guidelines (e.g. EPRA sBPR/INREV Guidelines) to strengthen the credibility of the future benchmarks, so that the investors have a tool to assess their 'green' investments.
- Investigate and then remove cross-border obstacles to real estate investments [e.g. especially on withholding tax hurdles for Real Estate Investment Trusts (REITs)].

The [document](#)³ has been sent in mid-November to the following members of the High-Level Group:

- Christian Thimann, AXA
- Steve Waygood, AVIVA
- Claudia Kruse, APG
- Ingrid Holmes, E3G

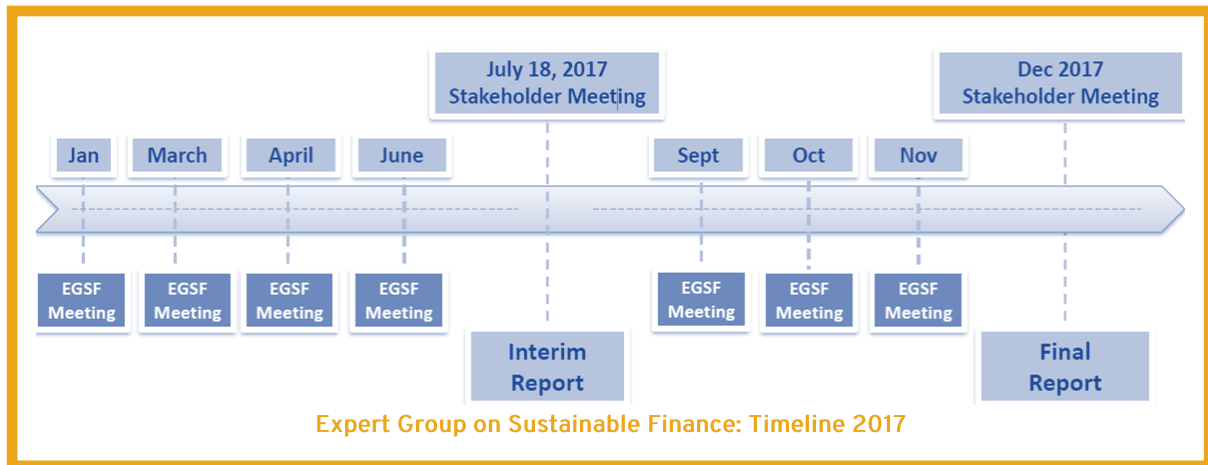
¹ Looking at the asset level certification

² To be determined following a consultation with all relevant stakeholders.

³ [Document with hyperlinks](#)

- Flavia Micilotta, EUROSIF
- Sean Kidney, CBI

Timeline



ENERGY EFFICIENCY DIRECTIVE (EED) *Ongoing – under review*

The European Commission published on 30 November 2016 the 'Clean Energy for All Europeans Package'. This package contains 14 inter-related binding and non-binding initiatives which will impact many sectors, including listed real estate.

EPRA's engagement

Among them is the [proposal of revision](#) of the Energy Efficiency Directive (EED), that aims at including a binding energy savings target of 30% by 2030 and at promoting smart metering and billing. EPRA endorses the draft REPORT of Mrs. Guteland Jytte (MEP), issued publicly at the beginning of June as we view it as a balanced compromise in terms of requirements toward the real estate sector.

Timeline

The vote on the latest draft of proposal of revision is expected for end-November.

Proposal	Timeline in ITRE	Other Committees	Council
Proposal to Revise the Energy Efficiency Directive	22/06: Consideration of draft report 28/06: Deadline for amendments 04/09: Consideration of amendments (tbc) 11-12/10: Vote ITRE 28/11: Vote ITRE <i>upcoming</i> TBD – Plenary vote	ENVI draft opinion: 08/06: Presentation of the report (tbc) 14/06: Deadline for amendments 07/09: Adoption of draft opinion	26/06: TTE Council – agreed on the general approach

ENERGY PERFORMANCE OF BUILDINGS DIRECTIVE (EPBD) *Ongoing – under review*

As part of the ‘Clean Energy for all European’, the Commission proposed an [update](#) to the Energy Performance of Buildings Directive to promote the use of smart technology in buildings and to introduce mechanisms for de-risking energy efficiency operations for investors and the private sector. In particular, the EPBD’s revision introduces:

- For larger buildings, building automation and electronic monitoring of buildings systems can be considered to replace inspections (Member State option);
- New obligation to equip new or under major renovation residential and non-residential buildings with a recharging point or pre-cabling for recharging points for electric vehicles in parking lots;
- Definition of a smartness indicator to measure buildings’ capacity to use ICT and electronic systems to optimise operation and interact with the grid.

EPRA’s engagement

At the beginning of June, EPRA has provided feedback to the Members of the European Parliament (MEPs) on the proposal of review ([link](#))^{CONFIDENTIAL}. EPRA endorsed the draft REPORT of Mr. Bendt Bendtsen and provided additional suggestions on how to increase investments in energy efficiency in buildings.

EPRA’s amendment to article 8 paragraph 6 has been welcomed by Mr. Bendt Bendtsen and officially included among the ones suggested by the relevant stakeholders ([link](#)).

Proposal for a directive Article 1 – paragraph 1 – point 5 – point c Directive 2010/31/EU Article 8 – paragraph 6 – subparagraph 1		
<i>Text proposed by the Commission</i>	<i>Amendment</i>	
The Commission is empowered to adopt delegated acts in accordance with Article 23 supplementing this Directive with a definition of ‘smartness indicator’ and with the conditions under which the ‘smartness indicator’ would be provided as additional information to prospective new tenants or buyers.	The Commission is empowered to adopt delegated acts in accordance with Article 23, after consultation with relevant stakeholders , on the basis of the outlined design and methodology set out in Annex Ia and with the conditions under which the ‘smartness indicator’ could be introduced following a thorough assessment after a test-phase and clarification on how the indicator would be connected to the energy performance certificates referred	
PE606.029v02-00	128/142	AM\1128594EN.docx
EN		
<i>to in Article 11 and would be provided as additional information to prospective new investors, tenants or buyers.</i>		
Or. en		

Amendment 61 Proposal for a directive Article 1 – paragraph 1 – point 5 – point c Directive 2010/31/EU Article 8 – paragraph 6 – subparagraph 1	
<i>Text proposed by the Commission</i>	<i>Amendment</i>
<p>The Commission is empowered to adopt delegated acts in accordance with Article 23 supplementing this Directive with a definition of 'smartness indicator' and with the conditions under which the 'smartness indicator' would be provided as additional information to prospective new tenants or buyers.</p>	<p>The Commission is empowered to adopt delegated acts in accordance with Article 23 in order to supplement this Directive by establishing a definition of a 'smartness indicator', after consulting relevant stakeholders, and on the basis of the outlined design and methodology set out in Annex Ia. The definition shall include information on how the indicator could be introduced following a test-phase, how the indicator would be connected to the energy performance certificates referred to in Article 11 and how it could be provided as additional and meaningful information to prospective new investors, tenants, buyers and market participants.</p>

EPRA's amendment to article 8 paragraph 6, point c has been finally approved and voted by ITRE on 12th October. It is now part of the [final proposal of revision](#) that will be examined by the European Council.

The next steps, before the approval of the proposal of revision, will be:

- Initiating negotiations between the EU Parliament, EU Council and the Commission;
- The publishing of a compromised text;
- Plenary vote – TBD.

Timeline

Proposal	Timeline in ITRE	Other Committees	Council
Proposal to Revise the Energy Performance of Buildings Directive	29/05: Consideration of draft report 08/06: Deadline for amendments 10-11/07: Consideration of amendments (tbc) 11/10: Vote ITRE 12/10: Vote ITRE TBD – Plenary vote	ENVI draft opinion: 30/05: Presentation of the draft opinion 07/06: Deadline for amendment 10-11/07: Consideration of amendments (tbc) 07/09: Adoption of draft opinion	19/06: General approach published 26/06: TTE Council – possible agreement on the general approach

EU FRAMEWORK OF CORE INDICATORS FOR THE ENVIRONMENTAL PERFORMANCE OF EU BUILDINGS *EC initiative with no legal obligation – On going*

Back to 2014, the European Commission identified the need for a common EU approach to the assessment of the environmental performance of buildings and launched the *EU Framework of core indicators for the Environmental Performance of EU buildings initiative*, which aims to define a

voluntary framework for reporting building performance along the entire life cycle of building, in terms of:

- Greenhouse Gas emissions from building life cycle energy use
- Resource efficient material cycles
- Efficient use of water resources
- Healthy and comfortable spaces
- Resilience to climate change
- Optimised life cycle cost and value

[The first set of proposals for indicators was published in 2016](#) as technical basis for a public consultation to which EPRA responded on 7th October 2016.

Following the open consultation, during the first half of 2017 a major stakeholder working group, technical sub-group and steering group members worked on the first Beta version of the common EU framework of core sustainability indicators for buildings - now referred to by the Commission as 'Level(s)'. The Beta version 1.0 can be downloaded [here](#).

The Beta version 1.0 forms the basis for a two-year pilot phase which will be led by DG Environment.